



**WAJAX INCOME FUND**  
**News Release**

**TSX Symbol: WJX.UN**

**WAJAX REPORTS THIRD QUARTER 2008 RESULTS**

(Dollars in millions, except per unit data)

	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
<b><u>CONSOLIDATED RESULTS</u></b>				
Revenue	\$299.2	\$289.4	\$896.2	\$910.8
Net earnings	\$18.4	\$19.6	\$56.5	\$53.4
Basic earnings per unit	\$1.11	\$1.18	\$3.40	\$3.22
Distributable cash <sup>(1)</sup>	\$19.4	\$19.6	\$56.7	\$54.9
Basic distributable cash per unit <sup>(1)</sup>	\$1.17	\$1.18	\$3.42	\$3.31
<b><u>SEGMENTS</u></b>				
Revenue - Mobile Equipment	\$156.2	\$158.2	\$487.3	\$477.6
- Industrial Components	\$81.7	\$73.7	\$233.6	\$234.3
- Power Systems	\$61.9	\$58.2	\$177.6	\$201.1
Earnings - Mobile Equipment	\$12.6	\$12.0	\$38.9	\$32.9
% margin	8.1%	7.6%	8.0%	6.9%
- Industrial Components	\$5.4	\$4.6	\$15.3	\$15.0
% margin	6.6%	6.2%	6.5%	6.4%
- Power Systems	\$4.6	\$6.2 <sup>(2)</sup>	\$14.4	\$18.2
% margin	7.4%	10.7%	8.1%	9.1%

(1) Denotes non-GAAP measure. See Non-GAAP Measures section in the attached Management's Discussion and Analysis (MD&A).

(2) Includes \$2.4 million of gain on sale of land.

**Toronto, Ontario – November 7, 2008** – Wajax Income Fund today announced third quarter 2008 results.

**Third Quarter Highlights**

- Consolidated revenue increased 3.4% compared to last year. Mobile Equipment segment revenues decreased 1% on lower equipment sales offset by an 18% improvement in parts and service volumes and Power Systems' sales increased 6% on account of an 11% increase in aftermarket volumes. Industrial Components' segment revenue increased 11%, as a result of the Weir acquisition and improved revenue in most regions.
- Excluding a \$2.4 million, or \$0.14 per unit gain on sale of land in Edmonton included in 2007 earnings, consolidated net earnings increased 7% to \$18.4 million, or \$1.11 per unit. On the strength of higher parts and service volumes, Mobile Equipment segment earnings increased 5% and Power Systems' earnings, excluding last year's land sale gain, increased 21%. Industrial Components' segment earnings increased 17% as a result of the Weir acquisition and other increases in revenue across the country.

- Basic distributable cash (see Non-GAAP Measures section in the MD&A) of \$1.17 per unit in the quarter compared to \$1.18 per unit recorded the previous year, which included \$0.14 per unit from the gain on sale of land. Excluding this gain, the increase in distributable cash was attributable to higher earnings and lower maintenance capital spending.
- On September 5, 2008, the Fund completed the \$25.7 million acquisition of Weir Process Equipment, a leading distributor of pumps, process controls and instrumentation, filtration products and material handling equipment. The acquisition of Weir, which has approximately \$50 million of adjusted annual sales, will expand the presence of Industrial Components in the Canadian process equipment market.
- The Fund declared monthly distributions of \$0.36 (\$4.32 per unit annualized) for November and December.

Commenting on the third quarter results and the outlook for the year, Neil Manning, President and CEO, stated "We continue to be pleased with our results as we benefited from strong performances in all three businesses in the third quarter. Revenue in all businesses held up well, despite the challenging economic environment. Parts and service revenue continues to show excellent growth, particularly in Mobile Equipment as we benefit from servicing equipment sold in previous years. Revenue in Industrial Components also showed resiliency and will further benefit from the Weir acquisition. Looking forward, we are concerned about the magnitude of the effect of the global financial crisis on the broader Canadian economy and our end markets. However, we anticipate a continuing contribution from our solid backlog of mining and power generation equipment orders and further growth in aftermarket support revenue. As well, we have adequate debt financing in place with a December 2011 maturity for our \$175 million bank term facility. As a result, we continue to expect 2008 full year earnings to show improvement over the previous year."

Wajax is a diversified income fund that has three core distribution businesses engaged in the sale and after-sales parts and service support of mobile equipment, industrial components and power systems, through a network of over 100 branches across Canada. Its customer base spans natural resources, construction, transportation, manufacturing, industrial processing and utilities.

Wajax will Webcast its Third Quarter Financial Results Conference Call. You are invited to listen to the live Webcast on Friday, November 7, 2008 at 2:00 p.m. ET. To access the Webcast, enter [www.wajax.com](http://www.wajax.com) and click on the link for the Webcast on the Investor Relations page. The archived Webcast will be available at the above mentioned website within 24 hours after the conference call.

This news release contains forward-looking information. Please refer to the "Forward-Looking Statements" section in the accompanying Management Discussion and Analysis.

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# **Management's Discussion and Analysis – Q3 2008**

The following management's discussion and analysis ("MD&A") discusses the consolidated financial condition and results of operations of Wajax Income Fund (the "Fund" or "Wajax") for the quarter ended September 30, 2008. This MD&A should be read in conjunction with the information contained in the interim Unaudited Consolidated Financial Statements and accompanying notes for the quarter ended September 30, 2008, the annual Audited Consolidated Financial Statements and accompanying notes of the Fund for the year ended December 31, 2007 and the associated MD&A. Information contained in this MD&A is based on information available to management as of November 7, 2008.

Unless otherwise indicated, all financial information within this MD&A is in millions of dollars, except per unit data.

## **Responsibility of Management and the Board of Trustees**

Management is responsible for the information disclosed in this MD&A and the Consolidated Financial Statements and accompanying notes, and has in place appropriate information systems, procedures and controls to ensure that information used internally by management and disclosed externally is materially complete and reliable. The Fund's Board of Trustees has approved this MD&A and the interim Unaudited Consolidated Financial Statements and accompanying notes. In addition, the Fund's Audit Committee, on behalf of the Board of Trustees, provides an oversight role with respect to all public financial disclosures made by the Fund, and has reviewed this MD&A and the interim Unaudited Consolidated Financial Statements and accompanying notes.

## **Disclosure Controls and Procedures and Internal Control over Financial Reporting**

The Fund has designed disclosure controls and procedures to provide reasonable assurance that material information relating to the Fund is made known to the Chief Executive Officer and the Chief Financial Officer, particularly during the period in which the interim filings are being prepared. The Fund has designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian Generally Accepted Accounting Principles. There has been no change in the Fund's internal control over financial reporting that occurred during the third quarter of fiscal 2008 that has materially affected, or is reasonably likely to materially affect, the Fund's internal control over financial reporting.

## **Wajax Income Fund Overview**

Wajax Income Fund is an unincorporated open-ended limited purpose trust established under the laws of the Province of Ontario pursuant to a declaration of trust dated April 27, 2005. The Fund was created to indirectly invest, on June 15, 2005, in substantially all of the assets and business formerly conducted by Wajax Limited.

The Fund intends to make monthly cash distributions, generally payable to unitholders of record on the last business day of each calendar month and to be paid on or about the 20<sup>th</sup> day of the following month. The Fund may make special cash and/or special non-cash distributions at the end of the year to ensure, as provided in the Fund's Declaration of Trust, that the Fund's total distributions for the year are equal to its taxable income for the year. Cash distributions are dependent on, among other things, the cash flow of the Fund.

Wajax has three core distribution businesses engaged in the sale and after-sales parts and service support of mobile equipment, power systems and industrial components, through a network of over 100 branches across Canada. Its customer base spans natural resources, construction, transportation, manufacturing, industrial processing and utilities.

The Fund's strategy is to grow earnings in all segments through continuous improvement of operating margins and revenue growth while maintaining the Fund's strong balance sheet. Revenue growth will be achieved through market share gains, new geographic territories and the addition of new complementary product lines either organically or through acquisitions.

## Forward-Looking Information

This MD&A contains forward-looking statements. These statements relate to future events or future performance and reflect management's current expectations and assumptions. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management of the Fund. A number of factors could cause actual events, performance or results to differ materially from the events, performance and results discussed in the forward-looking statements. These factors include and are not restricted to the risks identified in this MD&A. In addition these factors should be considered carefully and readers should not place undue reliance on the forward-looking statements. The forward-looking statements reflect management's expectations as of the date hereof and the Fund does not assume any obligation to update or revise them to reflect new events or circumstances, except as required by law.

## Consolidated Results

	Three months ended		Nine months ended	
	September 30		September 30	
	2008	2007	2008	2007
Revenue	<b>\$299.2</b>	\$289.4	<b>\$896.2</b>	\$910.8
Gross profit	<b>\$69.3</b>	\$62.8	<b>\$208.7</b>	\$199.6
Selling and administrative expenses	<b>\$49.1</b>	\$44.2	<b>\$147.6</b>	\$142.6
Gain on sale of land	-	(\$2.4)	-	(\$2.4)
Earnings before interest and income taxes	<b>\$20.2</b>	\$21.0	<b>\$61.1</b>	\$59.4
Interest expense	<b>\$1.2</b>	\$1.2	<b>\$3.4</b>	\$3.9
Income tax expense	<b>\$0.6</b>	\$0.2	<b>\$1.2</b>	\$2.1
<b>Net earnings</b>	<b>\$18.4</b>	\$19.6	<b>\$56.5</b>	\$53.4
<b>Distributable cash (1)</b>	<b>\$19.4</b>	\$19.6	<b>\$56.7</b>	\$54.9
<b>Cash distributions declared</b>	<b>\$17.4</b>	\$16.3	<b>\$50.6</b>	\$48.1
<b>Distributions paid</b>				
- Monthly	<b>\$17.1</b>	\$16.1	<b>\$50.1</b>	\$47.9
- Special	-	-	<b>\$7.8</b>	\$18.6
<b>Earnings per unit</b>				
- Basic	<b>\$1.11</b>	\$1.18	<b>\$3.40</b>	\$3.22
- Diluted	<b>\$1.10</b>	\$1.17	<b>\$3.37</b>	\$3.20
<b>Distributable cash per unit (1)</b>				
- Basic <sup>(2)</sup>	<b>\$1.17</b>	\$1.18	<b>\$3.42</b>	\$3.31
- Diluted	<b>\$1.16</b>	\$1.18	<b>\$3.39</b>	\$3.29
<b>Cash distributions declared per unit (2)</b>	<b>\$1.05</b>	\$0.98	<b>\$3.05</b>	\$2.90
<b>Distributions paid per unit (2)</b>				
- Monthly	<b>\$1.03</b>	\$0.97	<b>\$3.02</b>	\$2.89
- Special	-	-	<b>\$0.47</b>	\$1.12

(1) Non-GAAP measure, see the Non-GAAP Measures and Distributable Cash sections.

(2) Based on actual number of units outstanding on the relevant record date.

### **Revenue**

Revenue in the third quarter of 2008 increased \$9.8 million to \$299.2 million, from \$289.4 million in 2007, and included \$4.3 million of revenue from the \$25.7 million acquisition of the Weir Process Equipment division of Weir Canada Inc. by the Industrial Components segment effective September 5, 2008. Segment revenue fell 1% in Mobile Equipment while revenue increased 11% and 6% in Industrial Components and Power Systems, respectively. For the nine months ended September 30, 2008, revenue decreased \$14.6 million, or 2%.

### **Gross profit**

Gross profit in the third quarter of 2008 increased \$6.5 million due to the positive impact of both higher revenues and gross profit margins compared to last year. The gross profit margin percentage for the quarter increased to 23.2% in 2008 from 21.7% in 2007 due to a higher proportion of higher margin parts and service volumes, compared to last year, and higher gross profit margins resulting from the acquisition of Weir Process Equipment. Offsetting these factors was the negative impact of a reclassification of \$0.4 million of selling and administrative expenses to cost of sales resulting from adoption of the new CICA Handbook Section 3031, Inventories, effective January 1, 2008 without restatement of 2007 results ("the new inventory accounting standard"). Excluding the impact of the new inventory accounting standard in 2008, the gross profit percentage increased to 23.3% in the third quarter of 2008 compared to 21.7% in 2007.

For the nine months ended September 30, 2008, gross profit increased \$9.1 million compared to last year. Excluding the impact of the new inventory accounting standard in 2008, the gross profit margin percentage increased to 23.5% in 2008 from 21.9% in 2007 compared to last year.

### **Selling and administrative expenses**

Selling and administrative expenses increased \$4.9 million in the quarter due mainly to higher personnel costs in all segments, the acquisition of Weir Process Equipment and increased corporate costs. These increases were offset partially by a reclassification of \$0.9 million of overhead costs to cost of sales (\$0.4 million) and inventory (\$0.5 million), resulting from adoption of the new inventory accounting standard. Excluding the impact of adoption of the new inventory accounting standard, selling and administrative expenses as a percentage of revenue increased to 16.7% in 2008 from 15.3% in 2007.

For the nine months ended September 30, 2008 selling and administrative expenses increased \$5.0 million compared to last year. Increased personnel costs in Mobile Equipment and Industrial Components were offset mostly by a reclassification of \$3.1 million of overhead costs to cost of sales (\$2.3 million) and inventory (\$0.8 million), resulting from adoption of the new inventory accounting standard. Excluding the impact of adoption of the new inventory accounting standard, selling and administrative expenses as a percentage of revenue increased to 16.8% in 2008 from 15.7% in 2007.

### **Interest expense**

Quarterly interest expense of \$1.2 million remained unchanged compared to last year. The positive impact of lower interest rates was offset by higher funded debt net of cash ("funded net debt") outstanding in 2008 compared to last year as a result of the acquisition of Weir Processing Equipment in September 2008.

For the nine months ended September 30, 2008, interest expense decreased \$0.5 million compared to 2007 due primarily to lower interest rates and lower amortization of deferred financing costs.

### **Income tax expense**

The effective income tax rate of 2.9% for the quarter increased from 0.8% the previous year due mainly to an increase in current tax expense compared to last year.

For the nine months ended September 30, 2008 the effective tax rate decreased to 2.2% from 3.8% the previous year due mainly to a \$1.5 million future income tax expense adjustment made in 2007 to reflect the Fund's temporary differences in taxable income that are estimated to reverse after 2010, tax effected at rates that will apply in the periods the differences are expected to reverse.

The Fund's effective income tax rate was lower than the Fund's statutory income tax rate of 31.2% as the majority of the Fund's income is not currently subject to tax in the Fund.

The Fund is a "mutual fund trust" as defined under the Income Tax Act (Canada) and is not currently taxable on its income to the extent that it is distributed to its unitholders. Pursuant to the terms of the Declaration of Trust, all income earned by the Fund is distributed to its unitholders. Accordingly, no provision for income taxes is required on income earned by the Fund that is distributed to its unitholders. The Fund's corporate subsidiaries are subject to tax on their taxable income.

Under legislation enacted on June 22, 2007, the Fund as a publicly traded income trust will pay tax on its income distributed commencing in 2011 at a rate that is substantially equivalent to the general corporate income tax rate. The Fund may become taxable on its distributions prior to 2011 if its equity capital grows beyond certain dollar limits measured by reference to the Fund's market capitalization on October 31, 2006. The Fund has not exceeded its growth limits at September 30, 2008.

On July 14, 2008, the Department of Finance released draft rules designed to permit income funds to "convert" into public corporations without triggering adverse tax consequences to the income fund and its unitholders. The Fund is currently evaluating the draft rules which provide for alternative methods whereby an income fund can convert to a public corporation. As long as the Fund continues to benefit from the efficient distribution of its taxable income to unitholders and continues to meet the limitations on growth in equity, the current expectation is that the Fund will delay conversion to a corporate structure until January 1, 2011. After conversion it is expected that the corporate entity will continue to pay out a significant portion of its earnings in the form of dividends. The Fund will continue to monitor its position on the timing of conversion to a corporation taking into account the factors described above and other capital market considerations.

#### **Net earnings**

Quarterly net earnings of \$18.4 million, or \$1.11 per unit, decreased \$1.2 million from \$19.6 million, or \$1.18 per unit in 2007. The positive impact of higher volume and higher gross profit margins were offset by the \$2.4 million gain on sale of land in 2007 and higher selling and administrative and income tax expenses compared to last year. (Net earnings include \$0.5 million of income after tax resulting from adoption of the new inventory accounting standard. Please see Changes in Accounting Policy – Inventories section of this MD&A for further details.)

For the nine months ended September 30, 2008 net earnings of \$56.5 million, or \$3.40 per unit, increased \$3.1 million from \$53.4 million, or \$3.22 per unit, in 2007. The positive impact of higher gross profit margins and lower interest and income tax expenses in 2008 were offset by the \$2.4 million gain on sale of land in 2007 and higher selling and administrative expenses compared to last year. (Net earnings include \$0.8 million of income after tax resulting from adoption of the new inventory accounting standard. Please see Changes in Accounting Policy – Inventories section of this MD&A for further details.)

#### **Comprehensive income**

Comprehensive income for the quarter of \$18.2 million decreased \$1.1 million from \$19.3 million the previous year due to a \$1.2 million decrease in net earnings, offset partially by a \$0.1 million decrease in other comprehensive loss compared to last year. For the nine months ended September 30, 2008, comprehensive income of \$55.9 million increased \$3.0 million from \$52.9 million the previous year due to a \$3.1 million increase in net earnings offset partially by a \$0.1 million increase in other comprehensive loss compared to last year.

#### **Funded net debt**

Funded debt net of cash ("funded net debt") of \$104.2 million increased \$16.0 million compared to June 30, 2008 as third quarter cash flows from operations of \$22.1 million and a decrease in non-cash working capital of \$8.7 million were more than offset by capital spending of \$29.6 million and cash distributions of \$17.1 million. Capital spending included the \$25.7 million acquisition of Weir Process Equipment. Compared to September 30, 2007 funded net debt increased \$27.3 million. The Fund's quarter-end debt-to-equity ratio of 0.51:1 at September 30, 2008 increased from last quarter's ratio of 0.43:1 and increased from last year's ratio of 0.38:1.

#### **Distributable cash (see Non-GAAP Measures section) and distributions**

For the quarter ended September 30, 2008 distributable cash was \$19.4 million, or \$1.17 per unit, compared to \$19.6 million, or \$1.18 per unit, the previous year. Distributable cash decreased \$0.2 million as the \$2.4 million gain on sale of land included in 2007 more than offset the higher cash flows from operations before changes in non-cash working capital and lower maintenance capital expenditures compared to last year. For the same period cash distributions declared were \$1.05 per unit (2007 - \$0.98 per unit).

Distributable cash in excess of cash distributions declared for the three months ended September 30, 2008 of \$2.0 million, or \$0.12 per unit, provides the Fund an additional reserve for fluctuations in working capital requirements, growth capital expenditure requirements or future distributions.

For the nine months ended September 30, 2008 distributable cash was \$56.7 million, or \$3.42 per unit, compared to \$54.9 million, or \$3.31 per unit, the previous year. The \$1.8 million increase in distributable cash is due primarily to a \$1.2 million increase in cash flows from operations before changes in non-cash working capital. In addition, the lower accruals for mid-term incentives offset the \$2.4 million gain on sale of land included in 2007. For the same period cash distributions declared were \$3.05 per unit (2007 - \$2.90 per unit).

Distributable cash in excess of cash distributions declared for the nine months ended September 30, 2008 of \$6.1 million, or \$0.37 per unit, provides the Fund an additional reserve for fluctuations in working capital requirements, growth capital expenditure requirements or future distributions.

On November 7, 2008 the Fund announced monthly distributions of \$0.36 per unit (\$4.32 annualized) for the months of November and December, payable on December 22, 2008 and January 20, 2009 to unitholders of record on November 28, 2008 and December 31, 2008 respectively.

## Quarterly Results of Operations

### Mobile Equipment

	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
Equipment	\$101.2	\$111.8	\$333.1	\$345.5
Parts and service	\$55.0	\$46.4	\$154.2	\$132.1
Gross revenue	\$156.2	\$158.2	\$487.3	\$477.6
Segment earnings	\$12.6	\$12.0	\$38.9	\$32.9
Segment earnings margin	8.1%	7.6%	8.0%	6.9%

Revenue in the third quarter of 2008 decreased \$2.0 million, or 1%, to \$156.2 million from \$158.2 million in the third quarter of 2007. Segment earnings for the quarter increased \$0.6 million to \$12.6 million compared to the third quarter of 2007. For the nine months ended September 30, 2008, revenue increased \$9.7 million, while segment earnings increased \$6.0 million to \$38.9 million. The following factors contributed to the Mobile Equipment segment's third quarter results:

- Equipment revenue decreased \$10.6 million compared to last year and included the following quarter-over-quarter variances:
  - Forestry and construction equipment revenue decreased \$10.5 million. A reduction in new Hitachi excavator sales in western Canada, due to weaker demand and a reduction in rental conversions resulting from fewer units made available for rent compared to last year, were partially offset by an increase in new Hitachi excavator sales in eastern Canada. In addition, JCB construction equipment sales increased in all regions and forestry equipment sales decreased slightly compared to last year.

- Crane and utility equipment revenue decreased \$1.8 million due primarily to a decline in crane sales in western Canada, primarily in the oil and gas sector. The decrease was partially offset by an increase in deliveries to major hydro utility customers compared to last year.
- Mining equipment revenue increased \$1.3 million as higher Hitachi shovel and LeTourneau loader volumes in western Canada more than offset fewer LeTourneau loader deliveries in eastern Canada compared to last year.
- Material handling equipment revenue increased \$0.4 million.
- Parts and service volumes increased \$8.6 million compared to last year on strong mining sector sales in western Canada and increased volumes in the forestry and construction sectors across all regions due to growth in equipment sales over the last three years.
- Earnings increased \$0.6 million to \$12.6 million compared to last year. Excluding a \$0.1 million impact of adopting the new inventory accounting standard, earnings increased \$0.5 million as the benefit of higher revenues and margins were only partially offset by increased selling and administrative expenses. Margins increased due to a higher percentage of parts and service volumes in 2008. Selling and administrative expenses increased \$0.6 million due principally to higher after-market sales related costs, offset partially by higher expense recoveries in all regions compared to last year.

## Industrial Components – Kinecor

	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
Gross revenue	<b>\$81.7</b>	\$73.7	<b>\$233.6</b>	\$234.3
Segment earnings	<b>\$5.4</b>	\$4.6	<b>\$15.3</b>	\$15.0
Segment earnings margin	<b>6.6%</b>	6.2%	<b>6.5%</b>	6.4%

Revenue at Kinecor of \$81.7 million increased 11%, or \$8.0 million from \$73.7 million in the third quarter of 2007. Segment earnings increased \$0.8 million to \$5.4 million, compared to \$4.6 million the previous year. For the nine months ended September 30, 2008, revenue declined \$0.7 million, while segment earnings increased \$0.3 million to \$15.3 million compared to the same period last year. The following factors contributed to the segment's third quarter results:

- Bearings and power transmission parts sales increased \$1.3 million compared to last year, as increased sales to manufacturing, mining and steel & metal processing sector customers across all regions more than offset decreased sales in the forestry sector in eastern Canada and Ontario.
- Fluid power parts and service revenue increased \$6.7 million and included \$4.3 million of revenue from the acquisition of Weir Process Equipment. Increased natural gas drilling activity in western Canada and higher sales to manufacturing, agricultural and mining sector customers also contributed to the increase. Offsetting these revenue increases was a reduction in forestry sector sales in eastern Canada compared to last year.
- Segment earnings increased \$0.8 million to \$5.4 million compared to last year, as the positive impact of higher volumes and margins more than offset an increase in selling and administrative expenses. Margins increased due to the acquisition of Weir Process Equipment, increased purchase discounts and a reduction in lower margin forestry sector volumes compared to last year. Selling and administrative expenses increased \$1.8 million compared to last year due mainly to the Weir Process Equipment acquisition, higher personnel related costs and consulting costs of \$0.6 million associated with the new computer system conversion.

The new computer system, currently being implemented in Kinecor, will provide additional functionality and capacity which will accommodate the segment's future growth. The system is expected to be implemented into Kinecor's operations across Canada by the end of 2009.

Effective September 5, 2008 the Fund completed the acquisition of Weir Process Equipment, a division of Weir Canada Inc. for \$25.7 million subject to post closing adjustments. Weir Process Equipment, which was previously known as Peacock Inc., is a leading distributor of pumps, process controls and instrumentation, filtration products and material handling equipment to the oil & gas, power generation, mining and infrastructure sectors across Canada. These products are complementary to Kinacor's current offering and the acquisition significantly enhances Kinacor's position in the Canadian process equipment market. The acquisition business will be combined with Kinacor's process equipment operation under the Peacock name. For the twelve month period ended June 30, 2008, Weir Process Equipment had adjusted annual sales of approximately \$50 million and adjusted earnings before interest, taxes and amortization of approximately \$5 million. It is expected that over time the profitability of the combined businesses will be enhanced through expense reduction and revenue growth by leveraging Kinacor's extensive branch network and customer base.

## Power Systems

	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
Equipment	\$27.0	\$26.8	\$73.9	\$101.1
Parts and service	\$34.9	\$31.4	\$103.7	\$100.0
Gross revenue	\$61.9	\$58.2	\$177.6	\$201.1
Segment earnings	\$4.6	\$6.2	\$14.4	\$18.2
Segment earnings margin	7.4%	10.7%	8.1%	9.1%

Revenue in the third quarter increased 6%, or \$3.7 million, to \$61.9 million compared to \$58.2 million in 2007. Segment earnings decreased \$1.6 million to \$4.6 million in the quarter compared to the previous year. For the nine months ended September 30, 2008, revenue decreased \$23.5 million, or 12%, to \$177.6 million, while earnings decreased \$3.8 million to \$14.4 million compared to \$18.2 million in 2007. The following factors impacted quarterly revenues and earnings:

- Revenue at Waterous Power Systems ("Waterous") in western Canada increased \$8.2 million compared to last year as a result of higher equipment sales of \$5.4 million, attributable to increased sales of primary power generation equipment and engines to oil and gas drilling customers, and a \$2.8 million increase in parts and service revenue.
- Revenue at the eastern Canada operation, DD-ACE Power Systems ("DD-ACE") decreased \$4.5 million compared to 2007. Equipment sales decreased \$5.2 million, due principally to lower GE Energy generator set deliveries. Parts and service revenue increased \$0.7 million compared to last year.
- Segment earnings decreased \$1.6 million to \$4.6 million compared to last year. Excluding a \$0.4 million impact of adopting the new inventory accounting standard and the \$2.4 million gain on sale of land recorded in 2007, earnings increased \$0.4 million as the positive impact of improved volumes and higher margins was more than offset by an increase in selling and administrative expenses compared to last year. Selling and administrative expenses increased \$1.2 million as a result of higher personnel and occupancy costs. Margins increased due primarily to a higher proportion of higher margin parts and service revenue compared to last year.

## Selected Quarterly Information

	2008				2007			2006
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue	<b>\$299.2</b>	\$311.2	\$285.7	\$281.5	\$289.4	\$319.1	\$302.3	\$294.5
Net earnings from continuing operations	<b>\$18.4</b>	\$20.0	\$18.1	\$18.6	\$19.6	\$15.0	\$18.7	\$18.1
Net earnings from continuing operations per unit								
- Basic	<b>\$1.11</b>	\$1.20	\$1.09	\$1.12	\$1.18	\$0.91	\$1.13	\$1.09
- Diluted	<b>\$1.10</b>	\$1.19	\$1.08	\$1.11	\$1.17	\$0.90	\$1.12	\$1.08
Net earnings	<b>\$18.4</b>	\$20.0	\$18.1	\$18.6	\$19.6	\$15.0	\$18.7	\$19.4
Earnings per unit								
- Basic	<b>\$1.11</b>	\$1.20	\$1.09	\$1.12	\$1.18	\$0.91	\$1.13	\$1.17
- Diluted	<b>\$1.10</b>	\$1.19	\$1.08	\$1.11	\$1.17	\$0.90	\$1.12	\$1.16
Distributable cash <sup>(1)</sup>	<b>\$19.4</b>	\$18.8	\$18.4	\$19.3	\$19.6	\$15.9	\$19.4	\$18.6
Distributable cash per unit <sup>(1)</sup>								
- Basic	<b>\$1.17</b>	\$1.14	\$1.11	\$1.16	\$1.18	\$0.96	\$1.17	\$1.12

(1) Non-GAAP measure, see the Non-GAAP Measures Section.

A discussion of the Fund's previous quarterly results can be found in the Fund's quarterly MD&A reports available on SEDAR at [www.sedar.com](http://www.sedar.com).

## Liquidity and Capital Resources

The Fund generated \$1.1 million of cash from operations before financing activities in the third quarter of 2008 compared to \$25.9 million in the third quarter of 2007. The \$24.8 million decrease in cash flows from operations before financing activities was due to higher investing activities, offset partly by a reduction in non-cash working capital and higher cash flows from operations before changes in non-cash working capital compared to the same period last year.

Cash generated by operating activities amounted to \$30.8 million in the third quarter of 2008, with \$22.1 million of cash generated from operating earnings and \$8.7 million from non-cash working capital. The significant component of the change in non-cash working capital was a \$7.8 million decrease in inventory reflecting lower inventory levels in Mobile Equipment.

During the quarter the Fund invested a net amount of \$29.6 million. The investing activities included \$2.1 million of lift truck rental fleet additions, net of disposals, \$1.9 million of other various capital asset additions net of disposals, and the \$25.7 million acquisition of Weir Process Equipment.

Funded net debt increased \$16.0 million compared to June 30, 2008 as third quarter cash flows from operations of \$22.1 million and a decrease in non-cash working capital of \$8.7 million were more than offset by capital spending of \$29.6 million and cash distributions of \$17.1 million. (Capital spending included the \$25.7 million acquisition of Weir Process Equipment). Compared to September 30, 2007 funded net debt increased \$27.3 million. The Fund's quarter-end debt-to-equity ratio of 0.51:1 at September 30, 2008 increased from last quarter's ratio of 0.43:1 and increased from last year's ratio of 0.38:1.

At September 30, 2008 the Fund had borrowed \$104.0 million and issued \$4.2 million of letters of credit for a total utilization of \$108.2 million of its \$175 million bank credit facility and had no utilization of its \$15 million equipment financing facility.

The Fund's \$175 million bank credit facility along with its \$15 million equipment financing demand facility should be sufficient to meet the Fund's short-term working capital, maintenance capital and growth capital requirements. In the long-term the Fund may be required to access the equity or debt markets in order to fund significant acquisitions and growth related working capital and capital expenditures requirements.

## Financial Instruments

The Fund uses derivative financial instruments in the management of its foreign currency and interest rate exposures. The Fund's policy is not to utilize derivative financial instruments for trading or speculative purposes. Significant derivative financial instrument transactions and those outstanding at the end of the quarter were as follows:

- On June 7, 2008 the delayed interest rate swap the Fund entered into on May 9, 2007 with two of its lenders became effective. As a result, the interest rate on the \$30 million non-revolving term portion of the bank credit facility was effectively fixed at 4.60% plus applicable margins until expiry of the facility on December 31, 2011. Margins depend on the Fund's Leverage Ratio and range between 0.75% and 2.50%.
- The Fund enters into short-term currency forward contracts to fix the cost of certain inbound inventory and to hedge certain foreign currency-denominated sales to (receivables from) customers as part of its normal course of business. As at September 30, 2008, the Fund had contracts outstanding to buy U.S.\$15.9 million and €0.2 million (September 30, 2007 – to buy U.S.\$5.4 million and €0.4 million and to sell U.S.\$2.5 million). These include contracts expiring between October 2008 and October 2009, with a weighted average U.S. dollar rate of 1.0494 and a weighted average Euro dollar rate of 1.5001.

## Currency Risk

The Fund's operating results are reported in Canadian dollars. While the Fund's sales are primarily denominated in Canadian dollars, significant portions of its purchases are in U.S. dollars. Changes in the U.S. dollar exchange rate can have a negative or positive impact on the Fund's revenues, margins and working capital balances. The Fund enters into short-term currency forward contracts to fix the cost of certain inbound inventory and to hedge certain foreign currency-denominated sales to (receivables from) customers as part of its normal course of business. (See Financial Instruments section above.) In addition, the Fund will periodically institute price increases to offset the negative impact of foreign exchange rate increases on imported goods.

A declining U.S. dollar relative to the Canadian dollar can have a negative effect on the Fund's revenues and cash flows as a result of certain products being imported from the U.S. Market conditions generally require the Fund to lower its selling prices as the U.S. dollar declines. As well, many of the Fund's customers export products to the U.S., and a strengthening Canadian dollar can negatively impact their overall competitiveness and demand for their products, which in turn may reduce product purchases from the Fund.

The Fund maintains a conservative hedging policy whereby significant transactional currency risks are identified and hedged except at September 30, 2008 the Fund had unhedged commitments to purchase U.S.\$3.2 million of inventory. Changes in the U.S. dollar exchange rate between September 30, 2008 and the date of the payments associated with the inventory purchases can have a negative or positive impact on the Fund's margin on these contracts. Subsequent to the quarter end, the Fund entered into four contracts totaling \$2.8 million to purchase U.S. dollars in December 2008 and January 2009 at the average rate of 1.205.

## **Contractual Obligations**

There have been no material changes to contractual obligations since December 31, 2007.

## Off Balance Sheet Financing

The Mobile Equipment segment had \$47.1 million of consigned inventory on-hand from a major manufacturer as at September 30, 2008 compared to \$60.9 million the previous year. In the normal course of business, Wajax receives inventory on consignment from this manufacturer which is generally sold to customers or purchased by Wajax. This consigned inventory is not included in the Fund's inventory as the manufacturer retains title to the goods.

The Fund's off balance sheet financing arrangements with Wajax Finance (a "private label" financing operation of CIT Financial Ltd.) include operating lease contracts in relation to the Fund's long-term lift truck rental fleet in the Mobile Equipment segment. At September 30, 2008, the non-discounted operating lease commitment for the rental fleet was \$13.1 million (September 30, 2007 - \$14.4 million).

## Non-GAAP Measures

To supplement the consolidated financial statements, the Fund uses non-GAAP financial measures that do not have standardized meaning prescribed by Canadian GAAP and are therefore unlikely to be comparable to similar measures used by other entities.

"Distributable cash" and "Distributable cash per unit" are not recognized measures under GAAP, and the method of calculation adopted by the Fund may differ from methods used by other entities. Accordingly, "Distributable cash" and "Distributable cash per unit" as presented may not be comparable to similar measures presented by other entities. The Fund believes that "Distributable cash" and "Distributable cash per unit" are useful financial metrics as they represent the key determination of cash flow available for distribution to unitholders. "Distributable cash" and "Distributable cash per unit" should not be construed as an alternative to net earnings as determined by GAAP. Distributable cash is calculated as cash flows from operating activities from continuing operations adjusted for changes in non-cash working capital, less maintenance capital expenditures and amortization of deferred financing costs. Changes in non-cash working capital are excluded from distributable cash as the Fund currently has a \$175 million bank credit facility which is available for use to fund general corporate requirements including working capital requirements, subject to borrowing capacity restrictions dependent on the level of the Fund's inventories on-hand and outstanding trade accounts receivable, and a \$15 million demand inventory equipment financing facility with a non-bank lender. In addition, the Fund will periodically finance equipment inventory on a non-interest bearing basis through Wajax Finance, a "private label" financing operation of CIT Financial Ltd. See the Distributable Cash section below for the method of calculating the Fund's "Distributable cash".

"Maintenance capital expenditures" is not a recognized measure under GAAP, and the method of calculation adopted by the Fund may differ from methods used by other entities. The Fund believes that "Maintenance capital expenditures" represents cash expenditures required to maintain normal operations. "Maintenance capital expenditures" exclude business acquisitions and land and building additions as they are not considered to be expenditures to maintain normal operations. See the Distributable Cash and Estimated Distributable Cash sections below for the method of calculating "Maintenance capital expenditures".

"Standardized distributable cash" and "Standardized distributable cash per unit" are not recognized measures under GAAP. However, "Standardized distributable cash" has been calculated following the guidance provided in the CICA publication: *Standardized Distributable Cash in Income Trusts and Other Flow-Through Entities: Guidance on Preparation and Disclosure*. While the Fund has followed the principles of this guidance, the Fund has made assumptions and judgments in determining how such guidance is to be applied. In this respect, the Fund's calculation may differ from similar calculations done by other entities. See the Standardized Distributable Cash and Reconciliation to Distributable Cash section for the method of calculating the Fund's "Standardized distributable cash".

"EBIT" is not a recognized measure under GAAP, and has been calculated as earnings before, interest and taxes and may differ from methods used by other entities.

## Distributions

The Fund intends to make monthly cash distributions, generally payable to unitholders of record on the last business day of each calendar month and to be paid on or about the 20th day of the following month. The Fund may make special cash and/or special non-cash distributions at the end of the year to ensure, as provided in the Fund's Declaration of Trust, that the Fund's total distributions for the year are equal to its taxable income for the year.

Distributions are based on distributable cash (see Non-GAAP Measures and Distributable Cash sections) and dependent on, among other things, the cash flow generated from operations before changes in non-cash working capital and after providing for maintenance capital expenditures (see Non-GAAP Measures section) and any amount that the Trustees may reasonably consider to be necessary to provide for the payment of costs or other obligations that have been or are reasonably expected to be incurred by the Fund. See Distributable Cash section below.

Cash distributions to unitholders were declared as follows:

<b>Record Date</b>	<b>Payment Date</b>	<b>Per Unit</b>	<b>Amount</b>
July 31, 2008	August 20, 2008	\$0.34	\$5.6
August 29, 2008	September 22, 2008	0.35	5.8
September 30, 2008	October 20, 2008	0.36	6.0
<b>Three months ended September 30, 2008</b>		<b>\$1.05</b>	<b>\$17.4</b>

(1) See Distributable Cash section below

Cash distributions paid by the Fund during the quarter were funded from cash generated by the Fund's operations before changes in non-cash working capital and the Fund's bank credit facilities.

On November 7, 2008 the Fund announced monthly distributions of \$0.36 per unit (\$4.32 annualized) for the months of November and December, payable on December 22, 2008 and January 20, 2009 to unitholders of record on November 28, 2008 and December 31, 2008 respectively.

Unitholder tax information relating to 2008 and 2007 distributions is available on the Fund's website at [www.wajax.com](http://www.wajax.com).

## Distributable Cash<sup>(1)</sup>

The Fund believes that distributable cash is a useful metric in determining distributions to unitholders. The following is a reconciliation of cash flows realized from operating activities from continuing operations (a GAAP measure) to distributable cash (a non-GAAP measure).

	For the quarter ended		For the nine months ended		Last 12 months	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
<b>Cash flows from operating activities from continuing operations</b>	<b>\$30.8</b>	\$23.9	<b>\$54.0</b>	\$62.2	<b>\$89.1</b>	\$84.5
Changes in non-cash working capital <sup>(2)</sup>	<b>(8.7)</b>	(2.9)	<b>11.0</b>	1.6	<b>(2.8)</b>	0.5
<b>Cash flows from continuing operations before changes in non-cash working capital</b>	<b>22.1</b>	21.0	<b>65.0</b>	63.8	<b>86.2</b>	85.0
Entity specific adjustments <sup>(3)</sup> :						
Maintenance capital expenditures <sup>(1) (3a)</sup>	<b>(2.2)</b>	(3.4)	<b>(9.1)</b>	(9.1)	<b>(11.3)</b>	(11.5)
Gain on sale of land <sup>(3b)</sup>	-	2.4	-	2.4	-	2.4
Accrual for mid-term incentives <sup>(3c)</sup>	<b>(0.4)</b>	(0.3)	<b>0.9</b>	(1.9)	<b>1.2</b>	(1.9)
Amortization of deferred financing charges <sup>(3d)</sup>	<b>(0.1)</b>	(0.1)	<b>(0.2)</b>	(0.3)	<b>(0.3)</b>	(0.5)
<b>Distributable Cash<sup>(1)</sup> - \$</b>	<b>19.4</b>	19.6	<b>56.7</b>	54.9	<b>75.9</b>	73.5
<b>- per unit basic</b>	<b>\$1.17</b>	\$1.18	<b>\$3.42</b>	\$3.31	<b>\$4.58</b>	\$4.43
<b>- per unit fully diluted</b>	<b>\$1.16</b>	\$1.18	<b>\$3.39</b>	\$3.29	<b>\$4.54</b>	\$4.40
<b>Distributions Declared - \$</b>						
<b>- Cash</b>	<b>17.4</b>	16.3	<b>50.6</b>	48.1	<b>74.7</b>	82.3
<b>- Non-cash <sup>(4)</sup></b>	-	-	-	-	<b>0.9</b>	-
<b>Distributions Declared - per unit</b>						
<b>- Cash</b>	<b>\$1.05</b>	\$0.98	<b>\$3.05</b>	\$2.90	<b>\$4.51</b>	\$4.96
<b>- Non-cash <sup>(4)</sup></b>	-	-	-	-	<b>\$0.05</b>	-
<b>Payout Ratio <sup>(5)</sup></b>	<b>89.7%</b>	82.8%	<b>89.3%</b>	87.7%	<b>98.5%</b>	112.0%

(1) Non-GAAP measure, see Non-GAAP Measures section

(2) Changes in Non-cash Working Capital are excluded from the calculation of distributable cash as the Fund currently has a \$175 million bank credit facility which is available for use to fund general corporate requirements including working capital requirements (subject to borrowing capacity restrictions dependent on the level of the Fund's inventories on-hand and outstanding trade accounts receivable) and a \$15 million demand inventory equipment financing facility with a non-bank lender. In addition, the Fund will periodically finance equipment inventory on a non-interest bearing basis through Wajax Finance, a "private label" financing operation of CIT Financial Ltd. See "Financing Strategies" section for discussion of bank credit facility financial covenants.

(3) Other Entity Specific Adjustments made in calculating distributable cash include the following:

- a. Maintenance Capital Expenditures represent capital expenditures, net of disposals and rental fleet transfers to inventory, required to maintain normal operations. "Maintenance capital expenditures" exclude business acquisitions and land and building additions as they are considered to be expenditures that are not required to maintain normal operations.

- b. Gain on Sale of Land: during the third quarter of 2007, the Fund excluded proceeds from the sale of land previously held for development, up to the cost amount, of \$3.1 million as the cost was excluded from the distributable cash when it was originally acquired.
- c. Accruals for Mid-Term Incentives: Changes in accruals for mid-term incentives are added back in determining cash flows from operating activities as they were treated as long-term liabilities effective January 1, 2007. These accruals are deducted in calculating distributable cash as the Fund believes it provides unitholders with a better indication of annual compensation costs and provides consistency with prior years.
- d. Amortization of Deferred Financing Costs is a deduction in calculating distributable cash based on the amount included in the operating activities section of the statement of cash flow (in the years following the financing transaction) allocated over the term of the financing. The Fund believes this treatment provides a better indication of annual financing costs.

(4) See Distributions section.

(5) Payout Ratio is equal to distributions declared as a percentage of distributable cash.

For the quarter ended September 30, 2008 distributable cash was \$19.4 million, or \$1.17 per unit, compared to \$19.6 million, or \$1.18 per unit, the previous year. Distributable cash decreased \$0.2 million as the \$2.4 million gain on sale of land included in 2007 more than offset the higher cash flows from operations before changes in non-cash working capital and lower maintenance capital expenditures compared to last year. Distributions declared for the quarter ended September 30, 2008 were \$1.05 per unit (2007 - \$0.98 per unit). Distributable cash in excess of cash distributions declared for the three months ended September 30, 2008 of \$2.0 million, or \$0.12 per unit, provides the Fund an additional reserve for fluctuations in working capital requirements, growth capital expenditure requirements or future distributions.

For the nine months ended September 30, 2008 distributable cash was \$56.7 million, or \$3.42 per unit, compared to \$54.9 million, or \$3.31 per unit, the previous year. The \$1.8 million increase in distributable cash is due primarily to a \$1.2 million increase in cash flows from operations before changes in non-cash working capital. In addition, the lower accruals for mid-term incentives offset the \$2.4 million gain on sale of land included in 2007. For the same period, distributions declared were \$3.05 per unit (2007 - \$2.90 per unit). Distributable cash in excess of cash distributions declared for the nine months ended September 30, 2008 of \$6.1 million, or \$0.37 per unit, provides the Fund an additional reserve for fluctuations in working capital requirements, growth capital expenditure requirements or future distributions.

For the twelve months ended September 30, 2008 distributable cash was \$75.9 million, or \$4.58 per unit, compared to \$73.5 million, or \$4.43 per unit. The \$2.4 million increase was due primarily to lower accruals for mid-term incentives and higher cash flows from operations before changes in non-cash working capital compared to last year, offset partially by the \$2.4 million gain on sale of land included in 2007. For the same period, cash distributions declared were \$4.51 per unit (2007 - \$4.96 per unit) and included monthly cash distributions totaling \$4.04 per unit (2007 - \$3.84 per unit) plus a special cash distribution of \$0.47 per unit declared in December 2007 (\$1.12 per unit declared December 2006). In addition, a special non-cash distribution was declared December 31, 2007 equal to \$0.05 per unit in order to distribute the Fund's non-taxable portion of its capital gains for the year. The special distributions were declared to ensure, as provided by the Fund's Declaration of Trust, the Fund's total distributions for the fiscal year were equal to the Fund's taxable income for such year.

For the three months ended September 30, 2008, the payout ratio of cash distributions based on distributable cash was 90%, compared to 83% the previous year.

For the nine months ended September 30, 2008, the payout ratio of cash distributions based on distributable cash was 89%, compared to 88% the previous year.

For the twelve months ended September 30, 2008, the payout ratio of cash distributions based on distributable cash was 99% (2007 - 112%). Excluding the special cash distribution of \$0.47 per unit (2007 - \$1.12 per unit), the payout ratio was 88% (2007 - 87%).

The following shows the relationship between distributions and cash flows from operating activities, net income and distributable cash.

(\$millions)	For the quarter ended September 30, 2008	For the nine months ended September 30, 2008	For the year ended December 31, 2007	For the year ended December 31, 2006
A. Cash flows from operating activities <sup>(1)</sup>	\$30.8	\$54.0	\$97.3	\$56.2
B. Net earnings <sup>(1)</sup>	18.4	56.5	72.0	71.5
C. Distributable cash <sup>(2)</sup>	19.4	56.7	74.1	74.0
D. Cash distributions declared	17.4	50.6	72.3	73.5
<b>E. Excess (shortfall) of cash flows from operating activities over cash distributions declared (A – D)</b>	<b>13.4</b>	<b>3.4</b>	<b>25.0</b>	<b>(17.3)</b>
<b>F. Excess (shortfall) of net earnings over cash distributions declared (B – D)</b>	<b>1.0</b>	<b>5.9</b>	<b>(0.3)</b>	<b>(2.0)</b>
<b>G. Excess of distributable cash over cash distributions declared (C – D)</b>	<b>2.0</b>	<b>6.1</b>	<b>1.8</b>	<b>0.5</b>

(1) Based on continuing operations.

(2) Non-GAAP measure, see Non-GAAP Measures section.

Significant variances between cash distributions declared by the Fund and cash flows from operating activities, net earnings and distributable cash include the following:

For the quarter ended September 30, 2008, the \$13.4 million excess of cash flows from operating activities over cash distributions declared is comprised of a decrease in non-cash working capital of \$8.7 million, maintenance capital expenditures, net of disposals, of \$2.2 million, other entity specific adjustments totaling \$0.5 million and the \$2.0 million excess of distributable cash over cash distributions declared. The \$2.0 million reserve provides the Fund an additional reserve for fluctuations in working capital requirements, growth capital expenditure requirements for future distributions.

For the nine months ended September 30, 2008, the \$3.4 million excess of cash flows from operating activities over cash distributions declared is due primarily to maintenance capital expenditures, net of disposals, of \$9.1 million and the \$6.1 million excess of distributable cash over cash distributions declared, less an increase in non-cash working capital of \$11.1 million and other entity specific adjustments totaling \$0.7 million. The \$6.1 million reserve provides the Fund an additional reserve for fluctuations in working capital requirements, growth capital expenditure requirements for future distributions.

For the twelve months ended December 31, 2007, the \$25.0 million excess of cash flows from operating activities over cash distributions declared is due primarily to a reduction in non-cash working capital of \$12.2 million and maintenance capital expenditures, net of disposals, of \$11.3 million, less the \$2.4 million gain on sale of land, plus a \$3.9 million reserve. The \$3.9 million provides the Fund an additional reserve for fluctuations in working capital requirements, growth capital expenditure requirements or future distributions.

For the year ended December 31, 2006 the \$17.3 million excess of cash distributions declared over cash flows from operating activities was due to a \$28.9 million increase in non-cash working capital less capital

expenditures, net of disposals, of \$10.4 million. The shortfall was funded through the Fund's bank credit facilities.

## Standardized Distributable Cash<sup>(1)</sup> and Reconciliation to Distributable Cash<sup>(2)</sup>

The following is a calculation of standardized distributable cash calculated following the guidance provided in the CICA publication: *Standardized Distributable Cash in Income Trusts and Other Flow-Through Entities: Guidance on Preparation and Disclosure*. In addition, the table provides a reconciliation of standardized distributable cash to distributable cash (see Distributable Cash section).

	For the quarter ended		For the nine months ended		Last 12 months	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
<b>Cash flows from operating activities</b>						
- Continuing	\$30.8	\$23.9	\$54.0	\$62.2	\$89.1	\$84.6
- Discontinued	-	(0.1)	(0.1)	-	(0.1)	0.3
A. Capital expenditure outlays <sup>(3)</sup> :	(4.4)	(3.7)	(12.3)	(10.8)	(15.0)	(14.9)
B. Restriction on distributions <sup>(4)</sup>	-	-	-	-	-	-
<b>Standardized Distributable Cash<sup>(1)(2)</sup> - \$</b>	<b>26.4</b>	20.2	<b>41.5</b>	51.4	<b>73.9</b>	70.0
- per unit basic	\$1.59	\$1.22	\$2.51	\$3.10	\$4.46	\$4.22
- per unit fully diluted	\$1.57	\$1.20	\$2.48	\$3.07	\$4.42	\$4.19
i. Capital adjustments made to reflect maintenance capital expenditures <sup>(5)</sup> :						
- Proceeds from disposals of capital expenditures	0.5	0.2	1.0	0.8	1.3	1.0
- Growth capital expenditures	0.6	-	0.8	-	0.8	1.1
- Rental fleet transferred to inventory	1.2	0.1	1.5	0.9	1.7	1.3
ii. Non-recurring adjustments <sup>(6)</sup> :						
- Cash flow (used in) from discontinued operations	-	0.1	0.1	-	0.1	(0.3)
iii. Other entity specific adjustments <sup>(7)</sup> :						
- Changes in non-cash working capital <sup>(7a)</sup>	(8.7)	(2.9)	11.0	1.6	(2.8)	0.4
- Gain on sale of land <sup>(7b)</sup>	-	2.4	-	2.4	-	2.4
- Accrual for mid-term incentives <sup>(7c)</sup>	(0.4)	(0.4)	0.9	(1.9)	1.3	(1.9)
- Amortization of deferred financing charges <sup>(7d)</sup>	(0.1)	(0.1)	(0.2)	(0.3)	(0.3)	(0.5)
<b>Distributable Cash<sup>(2)</sup> - \$</b>	<b>19.4</b>	19.6	<b>56.7</b>	54.9	<b>75.9</b>	73.5
- per unit basic	\$1.17	\$1.18	\$3.42	\$3.31	\$4.58	\$4.43
- per unit fully diluted	\$1.16	\$1.18	\$3.39	\$3.29	\$4.54	\$4.40
<b>Distributions Declared - \$</b>						
- Cash	17.4	16.3	50.6	48.1	74.7	82.3
- Non-cash <sup>(8)</sup>	-	-	-	-	0.9	-
<b>Distributions Declared – per unit</b>						
- Cash	\$1.05	\$0.98	\$3.05	\$2.90	\$4.51	\$4.96

	For the quarter ended		For the nine months ended		Last 12 months	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
<b>- Non-cash <sup>(8)</sup></b>	-	-	-	-	<b>\$0.05</b>	-
<b>Payout Ratio<sup>(9)</sup></b>						
- based on standardized distributable cash	<b>66.1%</b>	80.6%	<b>121.8%</b>	93.6%	<b>101.6%</b>	117.5%
- based on distributable cash	<b>89.7%</b>	82.8%	<b>89.3%</b>	87.7%	<b>98.5%</b>	112.0%

- (1) Standardized distributable cash is a non-GAAP measure calculated following the guidance provided in the CICA publication: *Standardized Distributable Cash in Income Trusts and Other Flow-Through Entities: Guidance on Preparation and Disclosure*.
- (2) Non-GAAP measure, see Non-GAAP Measures section.
- (3) Capital expenditure outlays include both maintenance capital expenditure outlays and growth capital expenditure outlays deducted in calculating standardized distributable cash. See Productivity Capacity and Productivity Capacity Management section.
- (4) There are currently no restrictions on distributions arising from compliance with financial covenants. See Financing Strategies section.
- (5) Capital adjustments are made to adjust capital expenditure outlays (deducted in computing standardized distributable cash) to reflect maintenance capital expenditures, net of disposals, as a deduction in computing distributable cash. These adjustments include: the exclusion of growth capital, the inclusion of proceeds from the disposal of capital expenditures and rental fleet transferred to inventory. See Non-GAAP Measures and Productivity Capacity and Productivity Capacity Management sections for calculation of maintenance capital expenditures.
- (6) Non-recurring adjustments include the exclusion of cash flows (used in) from discontinued operations in calculating distributable cash as they are not a reflection of the Fund's expected future cash flows.
- (7) Other Entity Specific Adjustments made in calculating distributable cash include the following:
  - a. Changes in Non-cash Working Capital see Distributable Cash section.
  - b. Gain on Sale of Land see Distributable Cash section.
  - c. Accruals for Mid-Term Incentives see Distributable Cash section.
  - d. Amortization of Deferred Financing Costs see Distributable Cash section.
- (8) See Distributions section.
- (9) Payout ratio is equal to distributions declared as a percentage of distributable cash.

For the quarter ended September 30, 2008 standardized distributable cash was \$26.4 million, or \$1.59 per unit, compared to \$20.2 million, or \$1.22 per unit, the previous year. The \$6.2 million increase was due primarily to \$5.8 million decrease in non-cash working capital usage.

For the nine months ended September 30, 2008 standardized distributable cash was \$41.5 million, or \$2.51 per unit, compared to \$51.4 million, or \$3.10 per unit, the previous year. The \$9.9 million reduction was due primarily to \$9.4 million increase in non-cash working capital usage.

Since the conversion of Wajax Limited to Wajax Income Fund on June 15, 2005, the payout ratio of cash distributions based on standardized distributable cash and distributable cash is 121.7% and 95.6%, respectively. The difference is due primarily to changes in non-cash working capital of \$33.7 million, capital adjustments and other entity specific adjustments since conversion that have been funded through the Fund's bank credit facility. See Financing Strategies section.

## Productive Capacity and Productive Capacity Management

Wajax is a distributor and service support provider. As such, the Fund's productive capacity is determined primarily by its branch infrastructure across Canada, manufacturer relationships and other maintenance and growth capital employed.

Wajax operates from 111 facilities throughout Canada, of which 79 are leased. Wajax's principal properties are primarily sales and service outlets. (At December 31, 2007, the non-discounted operating lease commitments for facilities totaled \$59.2 million.)

The Fund seeks to distribute leading product lines in each of its regional markets and its success is dependent upon continuing relations with the manufacturers it represents. The Fund endeavours to align itself in long-term relationships with manufacturers that are committed to achieving a competitive advantage and long-term market leadership in their targeted market segments. In the mobile equipment, power systems, and hydraulics and process pumps businesses, manufacturer relationships are generally governed through effectively exclusive distribution agreements. Distribution agreements are for the most part open-ended, but are cancellable within a relatively short notification period specified in the agreement.

Maintenance capital employed includes rental fleet primarily in the Mobile Equipment segment, which will vary with market demand, and other capital which is employed primarily to support and maintain the branch network operations.

In addition, the Fund enters into off balance sheet financing arrangements including operating lease contracts entered into for the long-term lift truck rental fleet in Mobile Equipment with Wajax Finance, vehicles and other equipment. (At December 31, 2007, the non-discounted operating lease commitments for rental fleet totaled \$13.1 million, vehicles \$0.6 million and other equipment \$1.6 million.)

Growth capital expenditures include acquisitions of land and building that are not required to maintain normal operations.

For the seven year period from 2000 to 2007, average annual maintenance capital expenditures, net of proceeds from disposals, (including rental fleet but excluding discontinued operations and an ERP computer system abandoned in 2002), were \$8.9 million. The annual maintenance capital expenditures varied between \$3.4 million and \$12.0 million during the period. Management's expectation for future annual maintenance capital expenditures is between \$8 million and \$14 million.

## **Financing Strategies**

The Fund's \$175 million bank credit facility along with the \$15 million demand inventory equipment financing facility should be sufficient to meet the Fund's short-term working capital, maintenance capital and growth capital requirements.

In the long-term the Fund may be required to access the equity or debt markets or reduce distributions in order to fund significant acquisitions and growth related working capital and capital expenditures.

The Fund's short-term working capital requirements can swing widely quarter-to-quarter due to timing of large inventory purchases and/or sales and changes in market activity. In general, as Wajax experiences growth, there is a need for additional working capital as was the case in 2006 and in the first quarter of 2008. Conversely, as Wajax experiences economic slowdowns working capital reduces, reflecting the lower activity levels. This can result in standardized distributable cash increasing in years of declining activity and decreasing in years of growth. Fluctuations in working capital are generally funded by, or used to repay, the bank credit facilities. Therefore, for the reasons noted the Fund adjusts for changes in non-cash working capital in calculating distributable cash in periods where the Fund has capacity under its credit facility to fund the changes in non-cash working capital.

The bank credit facility contains covenants that could restrict the ability of the Fund to make cash distributions, if (i) an event of default exists or would exist as a result of a cash distribution, and (ii) the leverage ratio (Debt to EBITDA) is greater than 3.0. If the leverage ratio is less than or equal to 3.0, then the aggregate cash distributions by the borrowers in each fiscal quarter may not exceed 115% of distributable cash for the trailing four fiscal quarters. Notwithstanding the restrictions relating to the leverage ratio, a special cash distribution in the first quarter of each fiscal year is permitted in an amount not to exceed the amount by which distributable cash for the preceding fiscal year exceeds declared cash distributions for the preceding fiscal year plus any excess cumulative distributable cash over cash distributions of prior years. In addition, borrowing capacity under the bank credit facility is dependent on the level of the Fund's inventories on-hand and outstanding trade accounts receivables. For further detail, the Fund's bank credit facility is available on SEDAR at [www.sedar.com](http://www.sedar.com).

## Unit Capital

The trust units of the Fund issued are included in unitholders' equity on the balance sheet as follows:

<b>Issued and fully paid Trust Units as at September 30, 2008</b>	<b>Number</b>	<b>Amount</b>
Balance at the beginning of quarter	16,585,206	\$104.9
Rights exercised	-	-
<b>Balance at end of quarter</b>	<b>16,585,206</b>	<b>\$104.9</b>

The Fund has three unit rights plans that issue rights to the participants which are settled by issuing Wajax Income Fund units: the Wajax Unit Ownership Plan, the Deferred Unit Plan and the Trustees' Deferred Unit Plan. Compensation expense is determined based upon the fair value of the rights when issued and recognized over the vesting period. The Fund recorded compensation cost of \$330 thousand for the quarter (2007 - \$350 thousand) and \$1,354 thousand for the year to date (2007 - \$970 thousand) in respect of these plans.

## Critical Accounting Estimates

Critical accounting estimates used by the Fund's management are discussed in detail in the MD&A for the year ended December 31, 2007 which can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

## Changes in Accounting Policy

The following is a summary of the relevant Canadian Institute of Chartered Accountants ("CICA") Handbook revisions that were adopted by the Fund on January 1, 2008.

### Capital Disclosures

CICA Handbook Section 1535, Capital Disclosures, establishes standards for disclosure of information regarding an entity's capital and how it is managed. It requires disclosure of an entity's objectives, policies and processes for managing capital. In addition, disclosures are to be included whether companies have complied with externally imposed capital requirements and the consequences of any non-compliance. This standard has no impact on the recognition and measurement of amounts included in the financial statements.

### Inventories

CICA Handbook Section 3031, Inventories, changes the standards for the measurement and disclosure of inventories. The measurement changes include the elimination of the last in first out method, the requirement to measure inventories at the lower of cost and net realizable value, the allocation of overhead based on normal capacity, the use of the specific cost method for inventories that are not ordinarily interchangeable or goods and services produced for specific purposes, the requirement for an entity to use a consistent cost formula for inventory of a similar nature and use, and the reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories. The Fund retrospectively adopted the new inventory requirements without restatement. It reassessed the method whereby it was allocating service department overhead to cost of conversion resulting in an increase in the carrying value of work in process inventory of \$0.7 million and an adjustment of \$0.6 million (net of tax of \$0.1 million) which was recorded directly to opening accumulated retained earnings. Disclosures of inventories have also been enhanced. Inventory policies, carrying amounts, amounts recognized as an expense, write-downs and the reversals of write-downs are required to be disclosed.

### Financial Instruments – Disclosures and Financial Instruments - Presentation

CICA Handbook Sections 3862 and 3863 increase the emphasis on the risks associated with both recognized and unrecognized financial instruments and how those risks are managed. The new

presentation standards carry forward the former presentation requirements. The above standard has no impact on the recognition and measurement of amounts included in the financial statements.

### **Goodwill and Intangible Assets**

In February 2008, the CICA issued Handbook Section 3064, Goodwill and Intangible Assets, replacing Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. New Section 3064 provides new guidelines for recognition, measurement, presentation and disclosure of goodwill and intangible assets. The Section also issued amendments to Section 1000, Financial Statement Concepts. These changes are effective for fiscal years beginning on or after October 1, 2008, with earlier adoption encouraged. Collectively, these changes bring Canadian practice closer to International Financial Reporting Standards and U.S. GAAP by eliminating the practice of recognizing as assets a variety of startup, pre-production and similar costs that do not meet the definition and recognition criteria of an asset. The Fund has decided to early adopt CICA 3064. Adoption of this standard has no impact on the recognition and measurement of amounts included in the financial statements and no additional disclosure is necessary.

The following is a summary of new standards which will impact the Fund:

In February 2008, The Canadian Accounting Standards Board confirmed that the use of International Financial Reporting Standards (IFRS) will be required in Canada for publicly accountable profit oriented enterprises for fiscal years beginning on or after January 1, 2011. The Fund will be required to report using IFRS beginning January 1, 2011. IFRS uses a conceptual framework similar to current Canadian GAAP, but there are significant differences in recognition, measurement and disclosures.

We are currently in the process of evaluating the potential impact of IFRS on our consolidated financial statements. Our project will consist of four phases: awareness, assessment, design and implementation. We have substantially completed the awareness phase. During the assessment phase, which we anticipate to have substantially completed by the end of 2008, we will determine major recognition, measurement and reporting differences and assess impacts on business process and information systems. Subsequently, the design phase will involve selection of accounting policies where choices exist and development of appropriate disclosures. We will then implement the revised accounting policies based on the choices made, change business processes and information systems and execute training and communications programs.

### **Risks and Uncertainties**

As with most businesses, the Fund is subject to a number of marketplace and industry related risks and uncertainties which could have a material impact on operating results. The Fund attempts to minimize many of these risks through diversification of core businesses and through the geographic diversity of its operations. There are however, a number of risks that deserve particular comment which are discussed in detail in the MD&A for the year ended December 31, 2007 which can be found on SEDAR at [www.sedar.com](http://www.sedar.com). For the period January 1, 2008 to November 7, 2008 there have been no material changes to the business of the Fund that require an update to the discussion of the applicable risks discussed in the MD&A for the year ended December 31, 2007.

### **Outlook**

The Fund's results in the third quarter benefited from strong performances in all three businesses as revenue held up well, despite the challenging economic environment. Parts and service revenue continues to show excellent growth, particularly in Mobile Equipment due to the benefit from servicing equipment sold in previous years. Revenue in Industrial Components also showed resiliency and will further benefit from the Weir Process Equipment acquisition. Looking forward, management is concerned about the magnitude of the effect of the global financial crisis on the broader Canadian economy and our end markets. However, management anticipates a continuing benefit from the solid backlog of mining and

power generation equipment orders and further growth in after-market support revenue. As well, the Fund has adequate debt financing in place with a December 2011 maturity of the \$175 million bank term facility. As a result, management continues to expect 2008 full year earnings to show improvement over the previous year.

Additional information, including the Fund's Annual Report and Annual Information Form, are available on SEDAR at [www.sedar.com](http://www.sedar.com).

# WAJAX INCOME FUND

Unaudited Consolidated Financial Statements

For the nine months ended September 30, 2008

Notice required under National Instrument 51-102, "Continuous Disclosure Obligations" Part 4.3(3) (a):

The attached consolidated financial statements have been prepared by Management of Wajax Income Fund and have not been reviewed by the Fund's auditors.

**WAJAX INCOME FUND  
CONSOLIDATED BALANCE SHEETS**

(unaudited, in thousands of dollars)	September 30 2008	December 31 2007	September 30 2007
<b>Current Assets</b>			
Cash and cash equivalents	\$ -	\$ -	\$ 5,365
Accounts receivable	156,093	143,669	145,751
Inventories (note 3)	226,934	207,212	206,749
Future income taxes	1,177	1,064	2,906
Prepaid expenses and other recoverable amounts	5,199	4,799	3,428
Derivative instrument asset (note 4)	-	-	98
	<b>389,403</b>	<b>356,744</b>	<b>364,297</b>
<b>Non-Current Assets</b>			
Rental equipment	22,279	21,700	21,928
Property, plant and equipment	32,506	29,491	29,449
Goodwill and other assets	76,112	59,108	59,176
Future income taxes	-	269	-
	<b>130,897</b>	<b>110,568</b>	<b>110,553</b>
	<b>\$ 520,300</b>	<b>\$ 467,312</b>	<b>\$ 474,850</b>
<b>Current Liabilities</b>			
Bank indebtedness	\$ 1,120	\$ 6,830	\$ -
Accounts payable and accrued liabilities	197,121	188,388	174,874
Distributions payable to unitholders	5,972	13,268	5,473
Income taxes payable	2,207	1,457	1,852
Equipment notes payable	-	70	905
Derivative instrument liability (note 4)	971	175	-
Discontinued operations	258	347	391
	<b>207,649</b>	<b>210,535</b>	<b>183,495</b>
<b>Non-Current Liabilities</b>			
Future income taxes	160	-	1,416
Other liabilities	797	1,716	1,985
Long-term pension liability	3,147	3,079	2,989
Long-term debt	103,089	53,879	81,414
	<b>107,193</b>	<b>58,674</b>	<b>87,804</b>
<b>Unitholders' Equity</b>			
Trust units (note 5)	104,871	104,871	104,871
Unit-based compensation (note 6)	4,261	2,907	2,535
Accumulated earnings	96,969	90,432	96,058
Accumulated other comprehensive (loss) income (note 4)	(643)	(107)	87
	<b>96,326</b>	<b>90,325</b>	<b>96,145</b>
Total unitholders' equity	<b>205,458</b>	<b>198,103</b>	<b>203,551</b>
	<b>\$ 520,300</b>	<b>\$ 467,312</b>	<b>\$ 474,850</b>

**WAJAX INCOME FUND**  
**CONSOLIDATED STATEMENTS OF EARNINGS**  
**AND ACCUMULATED EARNINGS**

(unaudited, in thousands of dollars, except per unit data)	Three months ended September 30		Nine months ended September 30	
	<b>2008</b>	2007	<b>2008</b>	2007
Revenue	\$ <b>299,247</b>	\$ 289,355	\$ <b>896,190</b>	\$ 910,772
Cost of sales	<b>229,904</b>	226,523	<b>687,513</b>	711,169
Gross profit	<b>69,343</b>	62,832	<b>208,677</b>	199,603
Selling and administrative expenses	<b>49,137</b>	44,221	<b>147,585</b>	142,632
Gain on sale of land	-	(2,384)	-	(2,384)
Earnings before interest and income taxes	<b>20,206</b>	20,995	<b>61,092</b>	59,355
Interest expense	<b>1,211</b>	1,202	<b>3,375</b>	3,869
Earnings before income taxes	<b>18,995</b>	19,793	<b>57,717</b>	55,486
Income tax expense - current	<b>388</b>	(80)	<b>670</b>	(80)
- future	<b>164</b>	242	<b>575</b>	2,184
Net earnings	\$ <b>18,443</b>	\$ 19,631	\$ <b>56,472</b>	\$ 53,382
Basic earnings per unit (note 5)	\$ <b>1.11</b>	\$ 1.18	\$ <b>3.40</b>	\$ 3.22
Diluted earnings per unit (note 5)	<b>1.10</b>	1.17	<b>3.37</b>	3.20
Accumulated earnings, beginning of period	\$ <b>95,940</b>	92,680	\$ <b>90,432</b>	90,773
Accounting change – effect of inventory adjustment (note 2)	-	-	<b>650</b>	-
Distributions	<b>(17,414)</b>	(16,253)	<b>(50,585)</b>	(48,097)
Net earnings	<b>18,443</b>	19,631	<b>56,472</b>	53,382
Accumulated earnings, end of period	\$ <b>96,969</b>	\$ 96,058	\$ <b>96,969</b>	\$ 96,058

**WAJAX INCOME FUND  
CONSOLIDATED STATEMENTS OF  
COMPREHENSIVE INCOME**

(unaudited, in thousands of dollars)	Three months ended September 30		Nine months ended September 30	
	<b>2008</b>	2007	<b>2008</b>	2007
Net earnings	\$ 18,443	\$ 19,631	\$ 56,472	\$ 53,382
Gains (losses) on derivative instruments designated as cash flow hedges in prior periods transferred to net income in the current period, net of tax (note 4)	(99)	210	(232)	39
Losses on derivative instruments designated as cash flow hedges, net of tax (note 4)	(98)	(529)	(304)	(505)
Other comprehensive income (loss)	(197)	(319)	(536)	(466)
Comprehensive income	\$ 18,246	\$ 19,312	\$ 55,936	\$ 52,916

**WAJAX INCOME FUND**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Three months ended September 30

(unaudited, in thousands of dollars) 2008 2007

**OPERATING ACTIVITIES**

Net earnings from continuing operations	\$	18,443	\$	19,631
Items not affecting cash flows:				
Amortization				
- Rental equipment		1,284		1,244
- Property, plant and equipment		1,182		1,150
- Intangible assets		103		71
- Deferred financing costs		70		70
Gain on sale of land		-		(2,384)
Pension expense, net of payments		59		297
Long-term portion of mid-term incentive plan expense		421		351
Non-cash rental expense		12		12
Unit-based compensation expense (note 6)		330		350
Future income taxes		164		242

<b>Cash flows from continuing operations before changes in non-cash working capital</b>		<b>22,068</b>		<b>21,034</b>
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**Changes in non-cash working capital**

Accounts receivable		(578)		3,005
Inventories		7,843		10,846
Prepaid expenses and other recoverable amounts		577		5,366
Accounts payable and accrued liabilities		358		(16,321)
Income taxes payable		530		(46)
Unrealized gain in derivative instrument		-		13
		<b>8,730</b>		<b>2,863</b>

<b>Cash flows from operating activities from continuing operations</b>		<b>30,798</b>		<b>23,897</b>
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**INVESTING ACTIVITIES**

Rental equipment additions		(2,514)		(2,520)
Proceeds on disposal of rental equipment		444		126
Property, plant and equipment additions		(1,894)		(1,162)
Proceeds on disposal of property, plant and equipment		43		5,557
Acquisition of business (note 10)		(25,728)		-
		<b>(29,649)</b>		<b>2,001</b>

<b>Cash flows from continuing operations before financing activities</b>		<b>1,149</b>		<b>25,898</b>
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**FINANCING ACTIVITIES**

Increase (decrease) in long-term bank debt		16,000		(394)
Decrease in equipment notes payable		-		(313)
Distributions paid (note 8)		(17,082)		(16,087)
		<b>(1,082)</b>		<b>(16,794)</b>

<b>Net change in cash and cash equivalents before discontinued operations</b>		<b>67</b>		<b>9,104</b>
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<b>Cash and cash equivalents (used in) discontinued operations</b>		<b>(29)</b>		<b>(62)</b>
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<b>(Bank indebtedness) - beginning of period</b>		<b>(1,158)</b>		<b>(3,677)</b>
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<b>(Bank indebtedness) cash and cash equivalents - end of period</b>	\$	<b>(1,120)</b>	\$	<b>5,365</b>
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**Cash flows from operating activities from continuing operations include the following:**

Interest paid	\$	1,204	\$	1,146
Income tax paid	\$	(142)	\$	(77)

**Significant non-cash transactions:**

Rental equipment transferred to inventory	\$	1,201	\$	121
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**WAJAX INCOME FUND**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Nine months ended September 30

(unaudited, in thousands of dollars)

**2008**

2007

**OPERATING ACTIVITIES**

Net earnings from continuing operations	\$	56,472	\$	53,382
Items not affecting cash flows:				
Amortization				
- Rental equipment		3,705		3,395
- Property, plant and equipment		3,152		3,374
- Intangible assets		277		222
- Deferred financing costs		210		320
Gain on sale of land		-		(2,384)
Pension expense, net of payments		147		316
Long-term portion of mid-term incentive plan expense		(919)		1,865
Non-cash rental expense		36		54
Unit-based compensation expense (note 6)		1,354		970
Future income taxes		575		2,184

<b>Cash flows from continuing operations before changes in non-cash working capital</b>		<b>65,009</b>		<b>63,698</b>
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**Changes in non-cash working capital**

Accounts receivable		(3,804)		(168)
Inventories		(11,738)		26,510
Prepaid expenses and other recoverable amounts		(400)		4,023
Accounts payable and accrued liabilities		4,140		(31,397)
Income taxes payable		751		(540)
Unrealized gain in derivative instrument		-		55
		<b>(11,051)</b>		<b>(1,517)</b>

<b>Cash flows from operating activities from continuing operations</b>		<b>53,958</b>		<b>62,181</b>
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**INVESTING ACTIVITIES**

Rental equipment additions		(6,686)		(7,991)
Proceeds on disposal of rental equipment		905		620
Property, plant and equipment additions		(5,638)		(2,768)
Proceeds on disposal of property, plant and equipment		84		5,609
Acquisition of business (note 10)		(27,874)		(322)
		<b>(39,209)</b>		<b>(4,852)</b>

<b>Cash flows from continuing operations before financing activities</b>		<b>14,749</b>		<b>57,329</b>
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**FINANCING ACTIVITIES**

Increase in long-term bank debt		49,000		22,071
Decrease in equipment notes payable		(70)		(1,829)
Distributions paid (note 8)		(57,880)		(66,507)
		<b>(8,950)</b>		<b>(46,265)</b>

<b>Net change in cash and cash equivalents before discontinued operations</b>		<b>5,799</b>		<b>11,064</b>
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<b>Cash and cash equivalents (used in) discontinued operations</b>		<b>(89)</b>		<b>(31)</b>
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<b>(Bank indebtedness) - beginning of period</b>		<b>(6,830)</b>		<b>(5,668)</b>
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<b>(Bank indebtedness) cash and cash equivalents - end of period</b>	\$	<b>(1,120)</b>	\$	<b>5,365</b>
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**Cash flows from operating activities from continuing operations include the following:**

Interest paid	\$	3,125	\$	3,595
Income tax paid	\$	(16)	\$	426

**Significant non-cash transactions:**

Rental equipment transferred to inventory	\$	1,498	\$	941
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**WAJAX INCOME FUND**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(Amounts in thousands of dollars, except unit and per unit data or where otherwise noted)

(unaudited)

### **Note 1 Structure of the trust and basis of presentation**

Wajax Income Fund (the "Fund") is an unincorporated, open-ended, limited purpose investment trust governed by the laws of Ontario pursuant to the declaration of trust dated April 27, 2005. The Fund was created to indirectly acquire all the outstanding shares of Wajax Limited and exchange those on an equal basis for Wajax Trust Units ("Units") in the Fund pursuant to a Plan of Arrangement effective June 15, 2005. The Fund is authorized to issue an unlimited number of units and each Unitholder participates pro-rata in any distribution from the Fund.

These unaudited interim consolidated financial statements do not include all of the disclosures included in the audited annual consolidated financial statements. Accordingly, these unaudited interim financial statements should be read in conjunction with the annual consolidated financial statements of the Fund for the year ended December 31, 2007. The significant accounting policies follow those disclosed in the most recently reported annual financial statements, except as described in note 2.

Additional information, including the Fund's Annual Report and Annual Information Form, may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Note 2 Changes in accounting policies**

Effective January 1, 2008, the Fund adopted the following standards:

#### ***Capital Disclosures***

CICA Handbook Section 1535, Capital Disclosures, establishes standards for disclosure of information regarding an entity's capital and how it is managed. It requires disclosure of an entity's objectives, policies and processes for managing capital. In addition, disclosures are to include whether companies have complied with externally imposed capital requirements and the consequences of any non-compliance. These new disclosures are included in note 12.

The above standard has no impact on the recognition and measurement of amounts included in the financial statements.

#### ***Inventories***

CICA Handbook Section 3031, Inventories, changes the standards for the measurement and disclosure of inventories. The measurement changes include the elimination of the last in first out method, the requirement to measure inventories at the lower of cost and net realizable value, the allocation of overhead based on normal capacity, the use of the specific cost method for inventories that are not ordinarily interchangeable or goods and services produced for specific purposes, the requirement for an entity to use a consistent cost formula for inventory of a similar nature and use, and the reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories.

The Fund retrospectively adopted the new inventory requirements without restatement. It reassessed the method whereby it was allocating service department overhead to costs of conversion resulting in an increase in the carrying value of inventory of \$0.7 million and an adjustment of \$0.6 million (net of tax of \$0.1 million) which was recorded directly to opening accumulated earnings.

Inventory disclosures have also been enhanced. Inventory policies, carrying amounts, amounts recognized as an expense, write-downs and the reversals of write-downs are required to be disclosed. These new disclosures are included in note 3.

#### ***Financial Instruments – Disclosures and Financial Instruments – Presentation***

Handbook Sections 3862 and 3863 increase the emphasis on the risks associated with both recognized and unrecognized financial instruments and how those risks are managed. The new presentation standards carry forward the former presentation requirements. These new disclosures are included in note 9.

The above standard has no impact on the recognition and measurement of amounts included in the financial statements.

### **Goodwill and Intangible Assets**

In February 2008, the Canadian Institute of Chartered Accountants issued Handbook Section 3064, Goodwill and Intangible Assets, replacing Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. Section 3064 provides new guidelines for recognition, measurement, presentation and disclosure of goodwill and intangible assets. The Section also issued amendments to Section 1000, Financial Statement Concepts. These changes are effective for fiscal years beginning on or after October 1, 2008, with earlier adoption encouraged. Collectively, these changes bring Canadian practice closer to International Financial Reporting Standards and U.S. GAAP by eliminating the practice of recognizing as assets a variety of startup, pre-production and similar costs that do not meet the definition and recognition criteria of an asset.

The Fund has decided to early adopt CICA 3064 on January 1, 2008. Adoption of this standard has no impact on the recognition and measurement of amounts included in the financial statements and no additional disclosure is necessary.

### **New Standards Issued but not yet Effective**

In February 2008, The Canadian Accounting Standards Board confirmed that the use of International Financial Reporting Standards (IFRS) will be required in Canada for publicly accountable profit oriented enterprises for fiscal years beginning on or after January 1, 2011. The Fund will be required to report using IFRS beginning January 1, 2011. The Fund is currently in the process of evaluating the impact of the change to IFRS.

### **Note 3 Inventories**

Inventories are valued at the lower of cost and estimated net realizable value.

Cost of equipment and parts include purchase cost, conversion cost and cost incurred in bringing inventory to its present location and condition.

Cost of conversion includes cost of direct labour, direct materials and a portion of direct and indirect overheads, allocated based on normal capacity.

Cost of inventories includes the associated gains or losses transferred from accumulated comprehensive income relating to forward contracts hedging the purchase of inventory.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of sale.

	Cost Formula	September 30 2008	December 31 2007	September 30 2007
Equipment	Specific item	\$ 101,862	\$ 102,245	\$ 98,946
Parts	Weighted average	103,050	89,893	88,918
Work in process	Specific item	22,022	15,074	18,885
Total inventories		\$ 226,934	\$ 207,212	\$ 206,749

All amounts shown are net of applicable reserves.

The Fund recognized \$223.6 million of inventory as an expense which is included in cost of sales during the quarter (2007 - \$216.7 million) and \$672.4 million year to date (2007 - \$695.7 million). During the quarter \$0.9 million was recorded in cost of sales for the write-down of inventory to estimated net realizable value (2007 - \$0.9 million). Year to date, the write-down of inventory was \$2.7 million (2007 - \$5.1 million).

All of the Fund's inventory is pledged as security for the bank credit facility.

#### Note 4 Accumulated other comprehensive (loss) income

During the quarter ending September 30, 2008, \$109 (\$99 – net of tax) of losses on derivative contracts designated as cash flow hedges in prior periods were reclassified out of comprehensive income into earnings, while the change in the fair value of the outstanding contracts at September 30, 2008 resulted in a loss of \$196 (\$98 – net of tax) being recorded in other comprehensive income. There was no ineffective portion of the outstanding contracts recognized in earnings and the remaining effective portion, a loss of \$643 net of tax, was recorded in accumulated other comprehensive income.

Year to date, \$257 (\$232 – net of tax) of losses on derivative contracts designated as cash flow hedges in prior periods were reclassified out of comprehensive income into earnings, while the change in the fair value of the outstanding contracts at September 30, 2008 resulted in a loss of \$538 (\$304 – net of tax) being recorded in other comprehensive income.

During the prior quarter ending September 30, 2007, \$232 (\$210 – net of tax) of gains on derivative contracts designated as cash flow hedges in prior periods were reclassified out of comprehensive income into earnings, while the change in the fair value of the outstanding contracts at September 30, 2007 resulted in a loss of \$583 (\$529 – net of tax) being recorded in other comprehensive income. The ineffective portion of the outstanding contracts was recognized as a \$30 loss in earnings and the remaining effective portion, a loss of \$555 net of tax, was recorded in accumulated other comprehensive income.

Prior year to date, \$43 (\$39 – net of tax) of gains on derivative contracts designated as cash flow hedges in prior periods were reclassified out of comprehensive income into earnings, while the change in the fair value of the outstanding contracts at September 30, 2007 resulted in a loss of \$559 (\$505 – net of tax) being recorded in other comprehensive income. The prior year to date ineffective portion of the outstanding contracts was recognized as a \$571 loss in earnings.

As at September 30, 2008, the differential the Fund would pay to hypothetically terminate or exchange the swap agreement in the prevailing market conditions is estimated to be \$1.2 million (2007 – receive \$0.3 million), the currency forward contract, receive \$0.2 million (2007 – pay \$0.2 million).

	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
Balance beginning of period	\$ (446)	\$ 406	\$ (107)	\$ -
Transitional amount for new accounting guidelines January 1, 2007, net of tax of \$59	-	-	-	553
Gains (losses) on derivatives designated as cash flow hedges in prior periods transferred to net income in the current period, net of tax of \$10 (2007 - \$22), year to date, \$25 (2007 - \$4)	(99)	210	(232)	39
Losses on derivatives designated as cash flow hedges in the current period, net of tax of \$98 (2007 - \$56), year to date, \$234 (2007 - \$54)	(98)	(529)	(304)	(505)
<b>Accumulated other comprehensive (loss) income</b>	<b>\$ (643)</b>	<b>\$ 87</b>	<b>\$ (643)</b>	<b>\$ 87</b>

## Note 5 Earnings per unit

At the end of the quarter the number of trust units outstanding was 16,585,206 (2007 – 16,585,206). There were 93,535 rights outstanding under the Wajax Unit Ownership Plan (“UOP”) (2007 – 80,549), 17,704 rights outstanding under the Deferred Unit Program (“DUP”) (2007 – nil) and 71,430 rights outstanding under the Trustees’ Deferred Unit Plan (“TDUP”) (2007 – 48,009). No options or unit rights were excluded from the earnings per unit calculations as none were anti-dilutive.

The following table sets forth the computation of basic and diluted earnings per unit:

	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
Numerator for basic and diluted earnings per unit:				
– net earnings	\$ 18,443	\$ 19,631	\$ 56,472	\$ 53,382
Denominator for basic earnings per unit:				
– weighted average units	16,585,206	16,585,206	16,585,206	16,585,206
Denominator for diluted earnings per unit:				
– weighted average units	16,585,206	16,585,206	16,585,206	16,585,206
– effect of dilutive unit rights	161,376	123,533	150,391	116,971
Denominator for diluted earnings per unit	16,746,582	16,708,739	16,735,597	16,702,177
Basic earnings per unit	\$ 1.11	\$ 1.18	\$ 3.40	\$ 3.22
Diluted earnings per unit	\$ 1.10	\$ 1.17	\$ 3.37	\$ 3.20

## Note 6 Unit-based compensation plans

The Fund has four unit-based compensation plans: the UOP, the DUP, the TDUP and the Mid-Term Incentive Plan (“MTIP”). UOP, DUP and TDUP rights are issued to the participants and are settled by issuing Wajax Income Fund units. The UOP and DUP are subject to certain time and performance vesting criteria. The MTIP consists of an annual grant that is settled in cash, vests over three years and is based upon performance vesting criteria, a portion of which is determined by the price of Fund units. Compensation expense for the UOP, the DUP and the TDUP is determined based upon the fair value of the rights at the date of grant and charged to operations on a straight-line basis over the vesting period, with an offsetting adjustment to unitholders’ equity. Compensation expense for the MTIP varies with the price of Fund units and is recognized over the 3 year vesting period.

During the quarter 3,034 rights (2007 – 2,244) were granted under the UOP, 17,704 rights (2007 – nil) were granted under the DUP and 7,051 rights (2007 – 4,389) were granted under the TDUP.

Year to date 7,272 rights (2007 – 10,332) were granted under the UOP, 17,704 rights (2007 – nil) were granted under the DUP and 13,023 rights (2007 – 13,023) were granted under the TDUP.

The Fund recorded compensation cost of \$330 for the quarter (2007 – \$350) and \$1,354 for the year to date (2007 - \$970) in respect of unit rights plans and \$735 for the quarter (2007 – \$310) and \$1,709 for the year to date (2007 - \$778) in respect of the unit based MTIP.

## Note 7 Income taxes

The Fund is a "mutual fund trust" as defined under the Income Tax Act (Canada) and is not taxable on its income to the extent that it is distributed to its unitholders.

Under legislation enacted on June 22, 2007, the Fund as a publicly traded income trust will pay tax on its income distributed commencing in 2011 at a rate that is substantially equivalent to the general corporate income tax rate. The Fund has recognized future income tax liability for the temporary differences between the carrying amount and tax values of assets and liabilities in respect of the proportion of Fund income taxed directly to the unitholders that is expected to reverse in or after 2011.

## Note 8 Distributions paid

The Fund makes monthly cash distributions and may make special cash/or special non-cash distributions at the end of the year to ensure, as provided in the Fund's Declaration of Trust, that the Fund's total distributions for the year are equal to its taxable income for the year. Cash distributions are dependent on, among other things, the cash flow of the Fund.

Although the Fund intends to make distributions of its available cash, such distributions are affected by numerous factors, including the Fund's financial performance, debt covenants and obligations, working capital requirements and future capital requirements.

## Note 9 Financial instruments

The Fund categorizes its financial assets and financial liabilities as follows:

	<b>September 30 2008</b>	December 31 2007	September 30 2007
Held for trading			
Bank indebtedness	<b>\$ (1,120)</b>	\$ (6,830)	\$ (3,677)
Loans and receivables			
Accounts receivable	<b>156,093</b>	143,669	145,751
Other financial liabilities			
Accounts payable and accrued liabilities	<b>(197,121)</b>	(188,388)	(174,874)
Distributions payable to unitholders	<b>(5,972)</b>	(13,268)	(5,473)
Equipment notes payable	-	(70)	(905)
Other liabilities	<b>(797)</b>	(1,716)	(1,985)
Long-term debt	<b>(103,089)</b>	(53,879)	(81,414)
Derivatives designated as effective hedges			
Derivative instrument asset (liability)	<b>(971)</b>	(175)	98

The Fund measures financial instruments held for trading at fair value with subsequent changes in fair value being charged to earnings. Loans and receivables and other financial liabilities are measured at amortized cost with subsequent changes in fair value being charged to earnings and derivatives designated as effective hedges are measured at fair value with subsequent changes in fair value being charged to other comprehensive income. All held for trading assets and liabilities were designated as such upon initial recognition. The fair value of derivative instruments is estimated based upon market conditions using appropriate valuation models. The carrying values reported in the balance sheet for financial instruments are not significantly different from their fair values.

### *Credit risk*

The Fund is exposed to non-performance by counterparties to interest rate swaps and short-term currency forward contracts. These counterparties are large financial institutions with "Stable" outlook and high short-term and long-term credit ratings from Standard and Poor's. To date, no such counterparty has failed to meet its financial obligations to the Fund. Management does not believe there is a significant risk of non-performance by these counterparties and will continue to monitor the credit risk of these counterparties.

The Fund is also exposed to credit risk with respect to its accounts receivable. This risk is somewhat minimized by the Fund's large customer base which covers many business sectors across Canada. The Fund follows a program of credit evaluations of customers and limits the amount of credit extended when deemed necessary. The Fund's accounts receivables are made up of trade accounts receivable from customers and other accounts receivable generally from suppliers for warranty and rebates. The aging of the trade accounts receivable is as follows:

	<b>September 30 2008</b>	December 31 2007	September 30 2007
Current	\$ <b>86,827</b>	\$ 70,268	\$ 76,606
Less than 60 days overdue	<b>45,399</b>	46,793	44,518
More than 60 days overdue	<b>5,785</b>	5,040	4,417
Total trade accounts receivable	\$ <b>138,011</b>	\$ 122,101	\$ 125,541

The carrying amounts of accounts receivable and derivative instrument liability represent the maximum credit exposure.

The Fund maintains provisions for possible credit losses by performing an analysis of specific accounts. Any such losses to date have been within management's expectations. Movement of the allowance for credit losses is as follows:

	Three months ended September 30		Nine months ended September 30	
	<b>2008</b>	2007	<b>2008</b>	2007
Opening balance	\$ <b>1,895</b>	\$ 2,359	\$ <b>2,388</b>	\$ 2,030
Increase (decrease) during the period	<b>134</b>	5	<b>(359)</b>	334
Closing balance	\$ <b>2,029</b>	\$ 2,364	\$ <b>2,029</b>	\$ 2,364

### *Liquidity risk*

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with its financial liabilities. The contractual maturity of long term debt is December 31, 2011. At September 30, 2008 the Fund had borrowed \$104.0 million and issued \$4.2 million of letters of credit for a total utilization of \$108.2 million of its \$175 million bank credit facility and had not utilized any of its \$15 million equipment financing facility.

The Fund's \$175 million bank credit facility along with its \$15 million equipment financing demand facility should be sufficient to meet the Fund's short-term working capital and maintenance capital requirements. In the long-term the Fund may be required to access the equity or debt markets in order to fund significant acquisitions and growth related working capital and capital expenditures requirements.

### *Financial risk management policy*

The Fund has in place a financial risk management policy that addresses the Fund's financial exposure to currency risk and interest rate risk. The Fund's tolerance to interest rate risk decreases as the percentage of debt to tangible net worth increases. To manage this risk prudently, guideline percentages of floating interest rate debt decrease as the percentage of debt to tangible net worth increases. The policy also defines acceptable levels of exposure to transactional currency risk. The exposure to currency and interest rate risk is managed through the use of various derivative instruments. Derivative instruments are used only to hedge risks as determined within these policy

guidelines.

### *Currency risk*

The Fund's operating results are reported in Canadian dollars. While the Fund's sales are primarily denominated in Canadian dollars, significant portions of its purchases are in U.S. dollars. Changes in the U.S. dollar exchange rate can have a negative or positive impact on the Fund's revenues, margins and working capital balances. The Fund enters into short-term currency forward contracts to fix the cost of certain inbound inventory and to hedge certain foreign currency-denominated sales to (receivables from) customers as part of its normal course of business. The Fund will periodically institute price increases to offset the negative impact of foreign exchange rate increases on imported goods. As at September 30, 2008, the Fund had contracts outstanding to buy US\$15.9 million and €0.2 million (September 30, 2007 – to buy US\$5.4 million and €0.4 million and to sell US\$2.5 million). These include contracts expiring between October 2008 and October 2009, with a weighted average U.S. dollar rate of 1.0494 and a weighted average Euro rate of 1.5001.

A declining U.S. dollar relative to the Canadian dollar can have a negative effect on the Fund's revenues and cash flows as a result of certain products being imported from the U.S. Market conditions generally require the Fund to lower its selling prices as the U.S. dollar declines. As well, many of the Fund's customers export products to the U.S., and a strengthening Canadian dollar can negatively impact their overall competitiveness and demand for their products, which in turn may reduce product purchases from the Fund.

The Fund maintains a conservative hedging policy whereby significant transactional currency risks are identified and hedged except at September 30, 2008 the Fund had unhedged commitments to purchase U.S. dollars \$3.2 million of inventory. Changes in the U.S. dollar exchange rate between September 30, 2008 and the date of the payments associated with the inventory purchases can have a negative or positive impact on the Fund's margin on these contracts. Subsequent to the quarter end, the Fund entered into four contracts totaling \$2.8 million to purchase U.S. dollars in December 2008 and January 2009 at the average rate of 1.205.

### *Interest rate risk*

The Fund's borrowing costs are impacted by changes in interest rates. In order to manage this risk to an acceptable level the Fund entered into interest rate swap contracts with its lenders such that the interest rate on the \$30 million non-revolving term portion of the bank credit facility was effectively fixed at 3.47% plus applicable margins until June 7, 2008 and at 4.60% plus applicable margins from June 8, 2008 until December 31, 2011.

A 0.75 percentage point decrease in interest rates, which is indicative of the change in the prime lending rate over the preceding twelve-month period would, all things being equal, have resulted in an insignificant increase to earnings before income taxes and a decrease to other comprehensive income of \$1.0 million for the period as a result of the change in fair values of the interest rate swaps. The magnitude of the impact on earnings before income taxes and other comprehensive income is the same whether interest rates increase or decrease.

## **Note 10 Acquisition of business**

On September 5, 2008 the Fund's Industrial Components segment acquired certain assets of Weir Process Equipment, a division of Weir Canada Inc. for \$25.7 million subject to post-closing adjustments. Weir, which was previously known as Peacock, is a leading Canadian distributor of high performance industrial, instrumentation and process control equipment to the oil & gas, power generation, mining and infrastructure sectors across Canada.

During the year, conditions were met such that the Fund paid out \$0.3 million to complete the acquisition of Baytec Fluid Power Limited as per the Agreement of Purchase and Sale. This additional amount has been recorded as goodwill.

On March 17, 2008 the Fund's Mobile Equipment segment acquired certain assets of Dan Greer Enterprises Limited ("Greer"), the JCB dealer in the Ontario area from Mississauga to Niagara Falls, including Hamilton, for approximately \$1.8 million.

The results of operations from the acquisitions have been included in the consolidated financial statements of the Fund as of the effective dates.

The following is a preliminary summary of the purchase price allocations:

	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
Working capital	\$ 8,506	\$ -	\$ 9,771	\$ -
Property, plant and equipment	539	-	647	-
Goodwill	10,983	-	11,401	322
Product distribution rights	3,200	-	3,200	-
Customer lists	2,500	-	2,500	-
Purchase price	25,728	-	27,519	322

### Note 11 Employees' pension plans

Net pension plan expenses are as follows:

	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
Net pension plan expense – defined benefit plans	\$ 201	\$ 268	\$ 603	\$ 601
Net pension plan expense – defined contribution plans	1,228	1,100	3,690	3,561
	\$ 1,429	\$ 1,368	\$ 4,293	\$ 4,162

### Note 12 Capital Management

#### *Objective*

The Fund defines its capital as the total of its unitholders' equity and interest bearing debt. The Fund's objective when managing capital is to have a capital structure and capacity to support the Fund's operations and strategic objectives set by the Board of Trustees.

#### *Management of Capital*

The Fund's capital structure is managed such that it maintains a relatively low leverage ratio of interest bearing debt to earnings before interest, taxes, depreciation and amortization ("Leverage Ratio") as the Fund distributes a significant portion of its cash flow from operations before changes in working capital.

The Fund's level of interest bearing debt is determined by a combination of the Fund's cash flow required to meet its strategic objectives and the value of its tangible assets.

The amount of the Fund's unitholders' equity generally remains unchanged as income from the business is expected to equal the amount of distributions paid to unitholders over time.

Management believes the Fund currently has adequate capital through available debt facilities, however the Fund would have to access the equity or debt markets if significant growth capital was required.

There were no changes in the Fund's approach to capital management during the period.

As well, the Fund will continue to review its capital structure in the context of the limitations on growth in equity imposed under tax legislation enacted on June 22, 2007 (note 7). The Fund has not exceeded its growth limits at September 30, 2008.

### Restrictions on Capital

The Fund's interest bearing debt includes a \$175 million bank credit facility which expires December 31, 2011 and a \$15 million demand equipment financing facility. The bank credit facility contains the following covenants:

Borrowing capacity is dependent upon the level of the Fund's inventories on-hand and the outstanding trade accounts receivable ("borrowing base"). The Fund's borrowing capacity under the bank credit facility at September 30, 2008 was restricted to the Fund's borrowing base of \$176.8 million.

The Fund's ratio of earnings before interest, taxes, depreciation and amortization ("EBITDA") to interest expense (the "Interest Coverage Ratio") must not be lower than four times. As at September 30, 2008 the Fund's Interest Coverage Ratio was 22.0 times.

The Fund will be restricted from the payment of monthly cash distributions in the event the Fund's Leverage Ratio (interest bearing debt to EBITDA) exceeds three times. In addition, monthly cash distributions in each fiscal quarter may not exceed 115% of the distributable cash flow (as defined in the credit facility) for the trailing four fiscal quarters. As at September 30, 2008 the Fund's Leverage Ratio was 1.09 times and there were no restrictions on the payment of monthly cash distributions.

### Note 13 Segmented information

	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
<b>Revenue</b>				
Mobile Equipment	\$ 156,204	\$ 158,167	\$ 487,321	\$ 477,638
Industrial Components	81,742	73,700	233,572	234,252
Power Systems	61,904	58,198	177,589	201,075
Segment eliminations	(603)	(710)	(2,292)	(2,193)
	<b>\$ 299,247</b>	<b>\$ 289,355</b>	<b>\$ 896,190</b>	<b>\$ 910,772</b>
<b>Segment Earnings</b>				
Mobile Equipment	\$ 12,580	\$ 11,961	\$ 38,947	\$ 32,932
Industrial Components	5,399	4,556	15,264	14,963
Power Systems	4,572	6,232	14,396	18,241
Corporate costs and eliminations	(2,345)	(1,754)	(7,515)	(6,781)
	<b>\$ 20,206</b>	<b>\$ 20,995</b>	<b>\$ 61,092</b>	<b>\$ 59,355</b>

Interest expense, income taxes and corporate costs are not allocated to business segments.

### Note 14 Comparative information

Certain comparative numbers have been reclassified to conform with the current period presentation.